GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:233
ANSWERED ON:10.03.2000
CONSUMER PRICE INDEX
RAVINDRA KUMAR PANDEY

Will the Minister of FINANCE be pleased to state:

(a) Whether there has been unprecedented hike in the Consumer Price Index and the rate of inflation ;

(b) if so, the trend of the Consumer Price Index, Whole Sale PriceIndex and inflation from January, 1999 till date and the month-wise comparative figures for the last two years ;

(c) Whether the prices of most of the items registered a sharp increase despite low rate of inflation during September, 1999;

(d) If so, the reasons for increase in the prices of various items and in the rate of inflation thereafter;

(e) The steps taken or proposed to be taken to check the price rise and the rate of inflation ;

(f) Whether the Reserve Bank of India has suggested some measures tocheck the price rise ; and (g) If so, the details thereof and the extent to which these measures have been implemented?

Answer

ED
MINISTER OF FINANCE

(SHRI YASHWANT SINHA)

(a), (b),(c), (d),(e),(f) & (g) A Statement is laid on the Table of the House. Statement in reply of Lok Sabha Starred Question No. 233 on Consumer Price Index for March 10, 2000

(a) & (b) There has been no unprecedented rise in the annual rate of inflation based on the Consumer Price Index or the Wholesale Price Index during 1999-2000. The comparative figures of the point to point annual rate of inflation (month over month) based on the Consumer Price Index forIndustrial Workers- CPI(IW), Consumer Price Index for AgriculturalLabourers - CPI(AL) and the Wholesale Price Index (WPI) for the last two years are listed below :

ANNUAL RATES OF INFLATION IN WPI AND CPI
(PER CENT)

YEAR	WPI BASE:-> 81-82	CPI(IW) 1982	CPI(AL) 86-87
1998-99			
APR	5.6	8.2	4.6
MAY	6.6	10.5	7.0
JUN	7.5	12.4	8.9
JUL	8.3	14.8	10.7
AUG	8.3	15.0	11.8
SEP	8.5	16.3	12.9
OCT	8.3	18.6	15.6
NOV	8.1	19.7	18.3
DEC	6.3	15.3	15.1
JAN	4.7	9.4	9.1
FEB	5.3	8.6	8.8
MAR	5.0	8.9	8.8
1999-2000			
APR	4.3	8.4	8.1
MAY	3.8	7.7	8.0
JUN	3.1	5.3	6.7
JUL	2.3	3.2	5.2
AUG	2.2	3.1	5.1
SEP	2.7	2.1	4.4
OCT	2.9	0.9	3.6
NOV	2.8	0.0	1.9
DEC	2.8	0.5	2.0
JAN	3.0	2.6	

PROVISIONAL

The CPI based inflation rate had reached an unprecedented peak of 19.7% inNovember 1998. Thereafter it declined to 9.4% in January 1999.From then on, there was a continuous and sharp deceleration registering zero rate of inflation in November 1999. In January 2000, it rose to a modest 2.6% almost coinciding with the WPI based inflation rate of 3%. The trend was similar in the inflation rate based on CPI(AL) and the WPI. CPI(AL) fell from 9.1% in January 1999 to 2.0% in December 1999, whereas WPI based inflation rate fell from 4.7% in January 1999 to 3.0% in January 2000.

(c) & (d) The WPI based annual rate of inflation for the month of September, 1999 was 2.7% and thereafter it has hovered around the 3% level. The latest available rate of inflation for the week ended February 19,2000 is still at a low of 2.1%

(provisional). Prices of most commodities of daily use during September 1999 remained moderately low. In fact prices of some commodities were even lower than last year. Some price rise was recorded in rice and wheat, but much of this was due to the increase in the Minimum Support Prices given to the farmers.Rate of inflation of some of the major commodities and commodity groups for the month of September 1999 and for the week ended February 19,2000 are given below.

Commodities	Annual change in wholesale prices (%)	
	September 1999 over September 1998	February 19,2000 over Feb.19,1999
Rice	13.9	0.8
Wheat	18.7	3.1
Pulses	7.6	2.2
Fruits & Vegetables	-14.6	-1.5
Sugar	0.9	0.6
Edible Oils	-15.5	-19.3
Essential Commodities	0.8	-0.2

(e), (f) & (g) The annual rate of inflation during 1999-2000 has remained quite low. This was the result of the Government`s concerted efforts to keep inflation under control through effective supply management and also through close monitoring of prices and supply of essential commodities of daily use. Corrective action was taken as and when required to prevent prices from rising. It shall be the Government`s continued endeavour to maintain stability in prices. In view of the liquidity overhang, as reflected in the growth (16-18 percent) of broad money (M3) during the last three years, the Reserve Bank of India

(RBI) has laid emphasis on the need to carefully control the overall monetarysituation so as to nullify the impact of inflationary expectations on the overall price scenario. The RBI takes into account the spillover effectof large monetary expansion in setting out its monetary policy stance.